

# EXTENSIONS OF REMARKS

## SOCIAL SECURITY REFORM

**HON. NEWT GINGRICH**

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, May 7, 1998*

Mr. GINGRICH. Mr. Speaker, the issue of retirement security is one of the long-term priorities of our nation—a Goal for a Generation. Michael Barone points out in today's Wall Street Journal that this is a discussion that the American people are prepared to have. This is an excellent article and recommended reading. I submit it into the RECORD.

[From the Wall Street Journal, May 7, 1998]

### VOTERS ARE READY FOR SOCIAL SECURITY REFORM

(By Michael Barone)

Conventional wisdom has long held that Social Security is the third rail of American politics: Touch it and you die. Political events from the 1940s through the 1980s provided plenty of support for this rule. But now the third rail has shifted to the other side of the track: It is politically risky not to propose changes.

This shift was caused by two trends, neither created by government, and neither much noticed by most politicians. The first change was demographic, and the key year was 1993—the first year in which Americans turning 65 had not served in World War II. This was critical because the bedrock of support for the existing Social Security system is the GI generation, which grew up in the Depression, served in World War II and then went on to build a prosperous postwar America.

This generation has a powerful sense of moral entitlement to Social Security and, since 1965, to Medicare. These Americans felt, justifiably, that they had been dealt a poor hand, played it well, and passed on a much better one to the next generation. Economically, the Social Security system was an amazingly good deal for this generation. Former Sen. Alan Simpson used to point out to complaining elders that the value of the payroll taxes they had paid during their earning years was only a small fraction of the total they would receive from their monthly checks. They paid him no heed. If younger Americans had to pay much higher payroll taxes than they had to pay, that was just fine.

### SMALLER GENERATION

But every day the GI generation becomes smaller. Today about one-quarter of Americans over 65 were born after 1927—members of what authors William Strauss and Neal Howe call the silent generation. They didn't suffer through the Depression or serve in World War II; the escalator of postwar prosperity was already moving up when they stepped on. They lack the sense of moral entitlement that their elders have.

Meanwhile, the younger generations have come to realize that they are on the losing end of a Ponzi scheme. Their payroll taxes are high, and there is no way they are going to receive benefits comparable to their "contributions." Ask twentysomethings what they expect to get from Social Security, and they'll just laugh. They know that the ratio

of workers to retirees is falling and that the payroll tax will have to become even steeper to support current Social Security payments. Indeed, the Congressional Budget Office estimates the Social Security tax will have to jump from 12% to 18% over the next 30 years.

The twentysomethings know there is an alternative to that heavy blow. Which brings us to the second great change that makes Social Security reform foreseeable: the boom in investment. Pollster Peter Hart, in a 1997 survey for the National Association of Securities Dealers, found that 43% of Americans owned stock, vs. just 21% in 1990. An NBC/Wall Street Journal survey conducted in 1997 reported that 51% of respondents said they owned at least \$5,000 worth of common stock or mutual funds, either individually or through a retirement savings program.

We are becoming a nation of investors. In the 1970s and '80s, most Americans had the bulk of their wealth in residential housing; by 1997, a majority had more wealth in stocks than houses. Americans have long had a stake in stocks through their pension plans; but that stake is increasingly direct, as employers shift from defined-benefit plans (in which a centralized entity does the investing and promises a specific pension) to defined-contribution plans (in which the employee invests his pension directly and the return depends on his own choices).

Over time, the stock market grows faster than incomes, as the investing public has come to understand. Harvard economist Martin Feldstein notes that while funds raised by the payroll tax have historically risen at about 2% a year, stocks rise by 5% to 6% a year over the long run. (Mr. Feldstein's calculations are based on the period 1926-94, which means they include the Depression and exclude the doubling of the market since 1994.) It is increasingly plain to Americans that they would do well to look more to stocks and less to the payroll tax for their retirement income.

But there is increasing evidence that the economic factor most important to Americans is not short-term income but long-term wealth. Voters of the GI generation were sensitive to small fluctuations in income. They remembered the 1930s, when a layoff was often the prelude to years of unemployment. But voters growing up in an age of credit cards and vast job growth know that they can survive a period of temporary income loss. They are more concerned with how they are faring in their lifetime project of accumulating wealth.

A focus on wealth rather than income helps to explain the otherwise puzzling responses of voters to economic events in the 1990s. The relatively small income losses of the 1990-91 recession are not enough to explain why George Bush fell to 37% of the vote in 1992 from 53% in 1988. But a look at where his greatest losses occurred tells the story: They were in New Hampshire and Southern California, which also suffered the nation's biggest drops in housing values. Voters spurned him because they lost wealth and he didn't seem to be doing anything about it.

In 1994, the old political formulas based on macroeconomic indicators suggested the Democrats should have lost about a dozen House seats. Instead they lost 52, in part because their big-government programs threat-

ened wealth accumulation. And how to explain the current euphoric feeling about the direction of the nation, and Bill Clinton's high job ratings amid deepening political scandal? Income growth is lower than the peaks of the Reagan years, so that's not it. But look at the stock market, and the vast increases in wealth it has given millions of Americans—there's the source.

A final bit of evidence: In the 1996 campaign, Democrats hammered away at Republican "cuts" in Medicare (actually lower increases). For months, these attacks hurt Republicans. But at the beginning of October the Republicans counterattacked, and as Peter Hart has noted, the Democrats' Medicare advantage disappeared by the middle of the month. In a country with a vanishing GI generation and two younger generations skeptical that they will receive much from Medicare or Social Security, the Medicare issue was a wash.

So we now have an electorate ready for Social Security reform. Only a few politicians have stepped forward, the first among them being junior Republican representatives like South Carolina's Mark Sanford and Michigan's Nick Smith. Then this January came Mr. Clinton's opportunistic ploy to outflank tax-cut proposals by calling for budget surpluses to be plowed into Social Security. That put the issue into play. In March, Sen. Daniel Patrick Moynihan (D., N.Y.) came forward with his own plan for cutting payroll taxes and establishing supplementary personal investment accounts. Mr. Moynihan's proposal is far from radical, but the direction is apparent. Suddenly U.S. politicians are moving toward an investment based system similar to those already working in Chile and Britain.

### STRENGTH AND CONFIDENCE

Will they get there anytime soon? That is by no means clear. Neither the scandal-plagued president nor the razor-thin congressional Republican majority may have the strength and confidence necessary to move ahead. Which would be unfortunate, because suddenly the money to pay for the costs of transition is at hand, in the form of a budget surplus.

But politicians don't have the excuse for hesitation that they had in the 1980s, when they claimed the public would not accept significant changes. The generational shifts and the investment boom of the '90s have created a new America—a nation of investors embarked on a lifetime project of accumulating wealth, confidently relying on their own decisions in the marketplace. Suddenly, the time is ripe for Social Security reform.

## IN HONOR OF THE 70TH ANNIVERSARY OF THE FAIRFAX VOLUNTEER FIRE DEPARTMENT

**HON. THOMAS M. DAVIS**

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

*Thursday, May 7, 1998*

Mr. DAVIS of Virginia. Mr. Speaker, on Saturday, May 9, 1998, the Fairfax Volunteer Fire Department is celebrating its 70th Anniversary. This anniversary marks the culmination of a

• This "bullet" symbol identifies statements or insertions which are not spoken by a Member of the Senate on the floor.

Matter set in this typeface indicates words inserted or appended, rather than spoken, by a Member of the House on the floor.

long, proud history of providing fire-suppression and emergency medical services to the fine citizens of the City of Fairfax, Virginia.

Early records indicate that there was a volunteer fire brigade in the Town of Fairfax around the turn of the century. A group of visionary citizens decided that a firefighting system needed to be set up to protect their town from the ravages of fire. Their manual firefighting efforts were fortified by their purchase of a horse or man pulled chemical wagon to increase their firefighting efforts. This chemical wagon would allow them to fight fires with "some" water pressure.

On April 7, 1928, the Fairfax Volunteer Fire Department was legally chartered. At this time, the department became the proud owner of their first motorized fire truck, a 1927 Childs. A garage was also built to house this fine piece of fire equipment. They were now able to respond in a more efficient manner to emergencies when asked by the townspeople.

In the 1960's the Town of Fairfax became the City of Fairfax. Fairfax's population had increased along with their need for more fire protection and firefighters. Career firefighters were hired to join volunteers in answering the call for help, and the City of Fairfax built their first fire station to house their fire apparatuses and equipment.

Today, the City of Fairfax has grown to a population of 19,622 and is 15.9 square kilometers in size. The Fairfax Volunteer Fire Department responded to an astounding 8,000 fire and emergency medical calls last year. That's an average of 22 calls a day, which equals to almost one call per hour.

The Fairfax Volunteer's strong fleet of fire and rescue apparatuses are housed in two fire stations, 3 and 33. Fire Station 3 houses the duty Battalion Chief, a pumper, a ladder truck, and an advanced life support medical unit. Fire Station 33 houses a rescue engine and an advanced life support medical unit.

Taking an active role in one's community is a responsibility we all share, but which few of us fulfill. Yet, the Fairfax Volunteer Fire Department firefighters take great pride in providing round the clock emergency services to its neighbors. I know the visionary citizens who started this organization seventy years ago would be proud to see that what started with just a bucket has grown into one of the most respected volunteer fire departments in my district, the Eleventh Congressional District of Virginia.

Mr. Speaker, I know my colleagues join me in paying tribute to the Fairfax Volunteer Fire Department's distinguished volunteer and career firefighters who place their own lives on the line for their fellow citizens everyday. They are truly deserving of the title "hero".

#### SPECIAL TRIBUTE HONORING AMY FELDCAMP, LEGRAND SMITH SCHOLARSHIP WINNER

##### HON. NICK SMITH

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 7, 1998

Mr. SMITH of Michigan. Mr. Speaker, it is with great respect for the outstanding record of excellence he has compiled in academics, leadership and community service, that I am proud to salute Amy Feldcamp, winner of the

1998 LeGrand Smith Scholarship. This award is made to young adults who have demonstrated that they are truly committed to playing important roles in our Nation's future.

As a winner of the LeGrand Smith Scholarship, Amy is being honored for demonstrating that same generosity of spirit, intelligence, responsible citizenship, and capacity for human service that distinguished the late LeGrand Smith of Somerset, Michigan.

Amy Feldcamp is an exceptional student at Saline High School and possesses an impressive high school record. She has been involved with the National Honor Society. Amy is also involved with the high school marching band, S.A.D.D., 4-H, and FHA. Outside of school, Amy has been involved as a Sunday school teacher, providing music in her church, and teaching violin lessons.

In special tribute, Therefore, I am proud to join with her many admirers in extending my highest praise and congratulations to Amy Feldcamp for her selection as a winner of a LeGrand Smith Scholarship. This honor is also a testament to the parents, teachers, and others whose personal interest, strong support and active participation contributed to her success. To this remarkable young woman, I extend my most heartfelt good wishes for all her future endeavors.

#### 1998 LEADERSHIP AND ACADEMIC ALL-STAR

##### HON. BOB SCHAFFER

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 7, 1998

Mr. BOB SCHAFFER of Colorado. Mr. Speaker, within Larimer County, Colorado, my home county, reside some of the best and brightest young people in the state. Twelve of them were appropriately honored by the Fort Collins Coloradoan newspaper as 1998 Leadership and Academic All-Stars, and I would like to honor them here today.

Out of 67 teenagers nominated for the awards by teachers, parents and neighbors, these 12 stood out as particularly deserving of recognition: Loring Pfeiffer, Ryan Johnson, Robert "Bobby" Mosiman and Bret Peterson from Rocky Mountain High School; Elizabeth Leon and Steve Foster from Thompson Valley High School; Caitlin Devereaux, Yue Xu and Tiffany Yaussi from Poudre High School; Daniel Salas from Fort Collins High School; Samuel Severance from Loveland High School; and Scott Wilkinson from Windsor High School.

Besides academic achievement, the criteria for Academic All-Star status includes excellence in leadership and community involvement. These future leaders of our community, state, and country are truly our greatest hope for a stronger nation. Please join me today in paying them tribute.

#### RECOGNIZING NORTEL (NORTHERN TELECOM)

##### HON. BART GORDON

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Thursday, May 7, 1998

Mr. GORDON. Mr. Speaker, I would like to congratulate a good corporate citizen of mine,

Nortel (Northern Telecom) for the critical role they are playing in advancing the Internet for the betterment of all mankind.

Recently Donald J. Schuenke, Chairman of the Board of Nortel, was among a stellar list of guests at a White House unveiling of the largest and fastest research and education network in the world. The network, Abilene, is being developed by the University Corporation for Advanced Internet Development (UCAID) with the expertise of Nortel, Qwest Communications, and Cisco Systems. Abilene will provide an advanced backbone network for universities participating in UCAID's Internet2 project. The unveiling was conducted by Vice President AL GORE who said the project "... represents the kind of collaboration among government, industry and academia that leverages the expertise and resources of each entity, to enable technological advancements and innovation. This project will provide the technological leadership our nation needs as we prepare to enter the 21st century."

Also attending the unveiling were Joseph P. Nacchio, president and CEO of Qwest, Dr. Douglas E. Van Houweling, UCAID's president and CEO, and John Morgridge, Chairman of the Board of Cisco.

Abilene will allow networking capabilities which will enable researchers and educators to develop advanced applications for higher education. Nortel and Cisco Systems will provide networking equipment that will enable the Abilene network's leading edge capabilities. Qwest will provide access to its state-of-the-art nationwide fiber optic network.

"Nortel is proud to be part of this important effort and to provide the most advanced equipment in the world to help Abilene develop cutting-edge applications that will make a real difference in the lives of constituents," said Schuenke. "This effort will allow researchers the security, capacity and reliability they will need to take technological innovation to a new plateau."

It is expected that initial operation of Abilene will begin before the end of 1998, with full deployment completed within one year. The Abilene project will provide unparalleled networking capabilities to the member universities of UCAID. It will provide advanced networking capabilities such as quality of service and multicasting and will interconnect with existing advanced research and education networks such as the very high performance Backbone Network Service (vBNS).

Nortel has been a leader in promoting the Internet in education. They have given generously to schools both here in the District of Columbia and around the country by providing computers, access to the Internet, teacher training and maintenance. They are also great believers in private-public partnerships. Greg Farmer who heads up Nortel's Washington, D.C. office is a leader in this area. Most recently he formed Partners in Technology, a public-private partnership aimed at ensuring all D.C. students have access to the Internet and teachers are trained to bring them into the 21st Century.

Nortel works with customers in more than 150 countries to design, build and integrate their communications products and advanced digital networks. Nortel has about 27,000 employees in the U.S., more than in any other country. In Nashville, they have about 1,200 employees who work at the company's headquarters or at Nortel's telephone remanufacturing facility. They also have major facilities in